



WENDY L. WATANABE
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

March 5, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink that reads "Wendy L. Watanabe".

SUBJECT: **LOS ANGELES URBAN LEAGUE – A COMMUNITY AND SENIOR
SERVICES' WORKFORCE INVESTMENT ACT PROGRAM CONTRACT
SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL
YEAR 2013-14**

We completed a review of Los Angeles Urban League (LAUL or Agency), a Community and Senior Services' (CSS) Workforce Investment Act (WIA) Program provider. Our review covered a sample of transactions from Fiscal Year (FY) 2013-14. The purpose of our review was to determine whether LAUL provided services in compliance with their County contracts and WIA requirements.

The Adult, Dislocated Worker, and National Emergency Grant WIA Programs assist individuals in obtaining employment, retaining their jobs, and increasing their earnings. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14-21 years.

CSS compensates LAUL on a cost-reimbursement basis and their contracts for FY 2013-14 total approximately \$1.56 million. LAUL serves participants residing in the First and Second Supervisorial Districts.

Results of Review

LAUL has difficulty meeting its financial obligations and does not have sufficient working capital to pay its bills. Specifically, LAUL's audited financial statements, ending in June 2012, reported that LAUL had negative cash flow from operations of \$111,691, and the Agency's total liabilities exceeded total assets by \$1.3 million. In addition, as of October

2013, LAUL had outstanding accounts payable balances totaling \$1.25 million that were more than 60 days past due.

LAUL's attached response indicates that many of the issues cited in the report are based on financial and administrative issues which the Agency inherited from the prior executive administration of LAUL. The attached response also indicates that the new executive leadership team have and will continue to work diligently to resolve the issues of the past, many of which unfortunately have carried over into LAUL's present. On January 22, 2014, LAUL voluntarily relinquished their County WIA contracts.

LAUL billed CSS \$301,206 (\$303,143 - \$1,937) in questioned costs. Specifically:

- LAUL did not maintain adequate documentation, such as cancelled checks or allocation documentation, to support \$273,808.

After our review, LAUL provided copies of cancelled checks, totaling \$10,919. However, LAUL did not identify which expenditures the payments were made for, therefore, we could not determine whether the payments were related to the FYs 2013-14 or 2012-13 WIA Programs. LAUL's attached response indicates that the Agency will either repay CSS or provide adequate documentation to support the expenditures by June 30, 2014.

- LAUL did not maintain adequate documentation, such as cancelled checks, to support \$23,063 in FY 2013-14 direct expenditures. After our review, LAUL provided copies of cancelled checks to support \$1,937 of the \$23,063 in unsupported expenditures.

LAUL's attached response indicates that the Agency will either repay CSS \$21,126 (\$23,063 - \$1,937) or provide additional documentation to support the expenditures by June 30, 2014.

- LAUL's FY 2012-13 close-out invoice for the National Emergency Grant Program did not reconcile to the Agency's financial records. Questioned costs totaled \$4,506.

LAUL's attached response indicates that the Agency will either repay CSS \$4,506 or provide adequate documentation to support the expenditures by June 30, 2014.

- LAUL's FY 2013-14 financial records did not support the total expenditures billed to CSS. Questioned costs totaled \$1,636.

LAUL's attached response indicates that the Agency will either repay CSS \$1,636 or provide additional documentation to support the expenditures by June 30, 2014.

In addition, LAUL did not always comply with other County contract and WIA requirements. For example:

- LAUL did not maintain adequate documentation to support the eligibility for two (13%) of the 15 youth participants sampled.

LAUL's attached response indicates that the Agency will determine the total costs associated with any ineligible participants and repay CSS by June 30, 2014.

- LAUL did not document their efforts to obtain documentation of eligibility for eight (53%) of the 15 participants sampled, prior to using the applicants' statements, as required by WIA Directive ARRA/WIA D09-22. After our review, LAUL provided additional documentation to support the eligibility of two of the eight participants.

LAUL's attached response indicates that the Agency provided documents supporting the income eligibility for three of the eight participants. However, the additional documentation provided for the third participant was illegible and as such, we could not confirm that the documentation supported the individual's income eligibility.

As previously mentioned, on January 22, 2014, LAUL voluntarily relinquished their County WIA contracts. However, LAUL expressed desire to provide WIA services for the County in the future. Based on LAUL's significant financial and cash flow issues, CSS should consider placing the Agency in the County's Contractor Alert Reporting Database. In addition, CSS should ensure that all of our recommendations have been implemented prior to contracting with LAUL in the future.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LAUL and CSS. LAUL's attached response indicates they generally concurred with our findings and recommendations, and will repay CSS \$303,143 or provide additional documentation to support the expenditures.

We thank LAUL management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB:yp

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Jerry Gaines, Chair, Workforce Investment Board (WIB)
Richard Dell, Chair, WIB Finance Committee
Nolan Rollins, President and Chief Executive Officer, Los Angeles Urban League
Noel Massie, Chairman, Los Angeles Urban League
Public Information Office
Audit Committee

**LOS ANGELES URBAN LEAGUE
WORKFORCE INVESTMENT ACT PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2013-14**

FINANCIAL VIABILITY

Objective

Determine whether Los Angeles Urban League (LAUL or Agency) is financially viable and maintains sufficient working capital to provide adequate services under their Community and Senior Services (CSS) contracts.

Verification

We interviewed Agency management, and reviewed the Agency's financial statements ending in June 2012 and financial records for Fiscal Years (FY) 2012-13 and 2013-14.

Results

LAUL has difficulty meeting its financial obligations and does not have sufficient working capital to pay its bills. Specifically, LAUL's audited financial statements, ending in June 2012, reported that LAUL had negative cash flow from operations of \$111,691, and the Agency's total liabilities exceeded total assets by \$1.3 million. In addition, as of October 2013, LAUL had outstanding accounts payable balances totaling \$1.25 million agency-wide that were more than 60 days past due, of which \$296,339 directly related to the County Workforce Investment Act (WIA) Programs.

On January 22, 2014, LAUL voluntarily relinquished its County WIA contracts. However, based on LAUL's significant financial and cash flow issues, CSS should consider placing the Agency in the County's Contractor Alert Reporting Database. In addition, CSS should ensure that all of our recommendations have been implemented prior to contracting with LAUL in the future.

Recommendations

- 1. Community and Senior Services management consider placing the Agency in the County's Contractor Alert Reporting Database.**
- 2. Community and Senior Services management ensure that all of our recommendations have been implemented prior to contracting with Los Angeles Urban League in the future.**
- 3. Los Angeles Urban League management ensure that debts are paid when they become due.**

ELIGIBILITY

Objective

Determine whether LAUL provided services to eligible individuals for the WIA Programs.

Verification

We reviewed the case files for 40 (13%) of the 313 participants who received services from July through November 2013 for documentation to confirm their eligibility for WIA services.

Results

Youth Program

LAUL did not maintain adequate documentation to support the eligibility for two (13%) of the 15 youth participants sampled. Specifically, LAUL did not maintain completed I-9 forms in the participants' case files as required by WIA Directive LACOD-WIAD11-03. The total direct questioned cost was immaterial. However, the Agency may have billed CSS for other direct and indirect services for the ineligible individuals, such as staff time. After our review, LAUL provided a copy of one of the two participants' high school transcript. However, LAUL did not provide copies of completed I-9 forms as required to support the participants' eligibility.

In addition, LAUL did not document their efforts to obtain documentation of eligibility for eight (53%) of the 15 participants sampled, prior to using the applicants' statements, as required by WIA Directive ARRA/WIA D09-22. After our review, LAUL provided additional documentation to support the eligibility of two of the eight participants. The additional documentation LAUL provided after our review for one of the eight participants was illegible and as such, we could not confirm whether the documentation supported the individual's income eligibility as required.

Adult and Dislocated Worker Programs

LAUL did not document the registration for selective service for one (4%) of the 25 participants reviewed as required by WIA Directive LACOD 12-18. After our review, LAUL provided additional documentation to support the one participant's eligibility.

Recommendations

Los Angeles Urban League management:

- 4. Determine the total costs (direct and indirect) associated with the services provided to the two ineligible participants and repay Community and Senior Services for unallowable costs. Obtain**

appropriate documentation to determine the participants' eligibility for Program services prior to enrollment.

5. Ensure staff document the Agency's efforts to obtain documentation of the applicants' eligibility before using applicants' statements.

BILLED SERVICES

Objective

Determine whether LAUL provided services in accordance with their County contracts and WIA guidelines.

Verification

We visited LAUL's service site, and reviewed the case files for 40 (13%) of the 313 participants who received services from July through November 2013. We also interviewed five Adults, four Dislocated Workers, and seven Youth participants/guardians.

Results

LAUL provided the services in accordance with their County contracts and WIA guidelines for the case files sampled. In addition, the 16 participants interviewed stated that they received the required services and the services they received met their expectations.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether LAUL deposited cash receipts timely, and recorded revenue in their financial records properly. In addition, determine whether the Agency's bank reconciliations were reviewed and approved by Agency management as required.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's three bank accounts' activity and bank reconciliations for September 2013.

Results

LAUL deposited cash receipts timely and recorded revenue properly. However, LAUL's September 2013 bank reconciliations were not signed by the preparer or reviewer as required by Section B.1.2 of the Auditor-Controller Contract Accounting and Administration Handbook. According to the Agency's accounting policy, neither the preparer nor the reviewer are required to sign off on the bank reconciliations.

Recommendations**Los Angeles Urban League management:**

6. **Ensure that both the preparer and reviewer sign and date the bank reconciliations.**
7. **Revise the Agency's accounting policy to require both the preparer and reviewer to sign and date the bank reconciliations.**

EXPENDITURES/COST ALLOCATION PLAN**Objective**

Determine whether expenditures charged to the WIA Programs were allowable under their County contracts, properly documented, and accurately billed. Determine whether the Agency prepared its Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared expenditures appropriately.

Verification

We interviewed Agency personnel, reviewed the Agency's Plan, financial records, and documentation for 20 non-payroll expenditure transactions, billed by the Agency from July through September 2013, totaling \$46,072.

Results

LAUL prepared their Plan in compliance with their County contracts. However, LAUL billed CSS \$24,829 in unsupported expenditures from July through September 2013. Specifically:

- LAUL did not maintain adequate documentation, such as cancelled checks, to support \$23,063 in direct expenditures. After our review, LAUL provided copies of cancelled checks to support \$1,937 of the \$23,063 in unsupported expenditures.
- LAUL's financial records did not support \$1,636 in expenditures billed to CSS.

- LAUL did not maintain adequate documentation, such as receipts, to support \$130 in expenditures.

We noted similar findings during our prior years' monitoring reviews.

Recommendations

Los Angeles Urban League management:

8. **Repay Community and Senior Services \$22,892 (\$23,063 - \$1,937 + \$1,636 + \$130) for unsupported expenditures, or provide adequate documentation to support the expenditures.**
9. **Maintain adequate documentation to support Program expenditures.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency was in compliance with WIA Program and other County contract administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and reviewed their reported accruals.

Results

During the time of our review, LAUL management maintained adequate internal controls over its business operations. However, the Agency did not accurately report their accruals to CSS as required by WIA Directive WIAD10-05. Specifically, LAUL under reported their accruals for FY 2013-14 by \$23,193.

Recommendation

10. **Los Angeles Urban League management ensure accruals are accurately reported to Community and Senior Services.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were charged to the WIA Programs appropriately. In addition, determine whether the Agency obtained background

clearances, verified employability, maintained proof of current driver's licenses, and maintained proof of automobile insurance for employees assigned to the WIA Programs.

Verification

We traced the WIA payroll expenditures for eight employees, totaling \$27,596, and five participants, totaling \$1,072, for September 2013, to the Agency's payroll records and time reports. We also reviewed one personnel file for the new employee assigned to the WIA Programs.

Results

LAUL appropriately charged payroll expenditures to the WIA Programs, and maintained personnel files as required. However, the employees' and/or supervisors' signatures were missing on six (38%) of the 16 timecards reviewed, and one (20%) of the five participants' timecards reviewed was calculated incorrectly resulting in an immaterial overpayment to the participant. After our review, LAUL provided copies of signed timecards to support the payroll expenditures charged to the WIA Programs. However, LAUL management should ensure that timecards are signed by both the employees and the supervisors at the time payroll is processed.

Recommendations

Los Angeles Urban League management:

- 11. Ensure timecards are signed by both the employees and supervisors to certify actual hours worked.**
- 12. Ensure that timecards are accurately calculated.**

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2012-13 close-out invoices for the WIA Programs reconciled to the their financial records.

Verification

We compared LAUL's close-out invoices for FY 2012-13 to their financial records. We also reviewed a sample of expenditures incurred during FY 2012-13.

Results

LAUL billed CSS \$278,314 in unsupported expenditures. Specifically:

- LAUL did not maintain adequate documentation, such as cancelled checks or allocation documentation, to support \$273,276 in direct expenditures, of which \$8,093 was reported in our prior year's monitoring review and is still not collected from LAUL. In addition, LAUL did not provide the documentation to support the allocations of \$532 in expenditures billed to the WIA Programs.
- LAUL's close-out invoice for the WIA National Emergency Grant Program did not reconcile to their financial records. Questioned costs totaled \$4,506.

We noted similar findings during our prior years' monitoring reviews.

Recommendation

Refer to Recommendation 9.

- 13. Los Angeles Urban League management repay Community and Senior Services \$278,314 (\$273,276 + \$532 + \$4,506), or provide documentation to support the expenditures.**



February 21, 2014

VIA FACSIMILE (213) 897-1561 & U.S. MAIL

Wendy L. Watanabe, Auditor-Controller
Los Angeles County Department of Auditor-Controller
Countywide Contact Monitoring Division
Los Angeles World Trade Center
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attention: Yoon Park

Re: Los Angeles Urban League's Response & Proposed Corrective Action Plan to the February 6, 2014 Draft of the Report of the County of Los Angeles Department of Auditor-Controller

Dear Ms. Watanabe:

We are writing in response to email correspondence we received from Yoon Sun Park, Principal Accountant-Auditor, in your office enclosing the most recent draft of the Auditor-Controller's ("A-C's") report related to the Contract Compliance Review your office conducted of the Los Angeles Urban League (the "LAUL") adult and youth services workforce programs funded by Los Angeles County (the "County") and overseen by the County Community and Senior Services Department ("CSS") pursuant to the Workforce Investment Act, for Fiscal Years 2013-2014. Ms. Park's correspondence requested the LAUL's formal written response/corrective action plan by February 14, 2014. Ms. Park later provided the LAUL an extension until February 21, 2014 to provide a response.

LAUL GENERAL RESPONSE

As a general response to the February 6th draft of the A-C's report, the LAUL responds that many of the issues cited in the report are based on financial and administrative issues which the LAUL inherited from the prior executive administration of the LAUL. Since coming aboard as President & Chief Executive Officer of the LAUL, both I and the new executive leadership team have and continue to work diligently to resolve the issues of the past, many of which unfortunately have carried over into LAUL's present. To assist the LAUL in focusing its attention on fully remediating the undisputed issues of the A-C's report, effective February 14, 2014, LAUL voluntarily relinquished its County adult and youth workforce programs to the County. These programs have now been transitioned to Goodwill of Southern California and the Archdiocesan Youth Services program, respectively. LAUL has been advised that its Adult NEG program based in Pomona will be transitioned to MCS. Although regrettable, particularly since both our County adult and youth programs were operating at optimal levels on the program side, such a decision will allow us to focus 100%

BOARD OFFICERS

Board Chairman
Hazel Masare

Treasurer
Daniel R. Brown

Secretary
David Jackson

President & CEO
Molan V. Rollins

DIRECTORS

Paul Abdelmassour
Carl Babin

Jonson Bryant-Howard
Gwendolyn L. Butler

Wesley Coleman
Glennice A. Daniels, Jr.

Suzann G. Davis
Angela Gibson

Matthew M. Johnson
Robert A. Jones

Walter Jones
Margot A. Kayl

Edith Lantry
Terry Lee

Lucile A. Morgan
Faye McDune

Carolee Miller
Alicia M. Newman

Patricia H. Miller
Helen G. Murphy

David Orr
Debbie Pank

Byron K. Reed
Christopher P. Reynolds

M. Malik Rooney
Robert A. Sharkey

Nancy Shalmon
James K. Tracy

Maurice W. Wainwright, Ph.D.
Dawn Wetherfield

Los Angeles, CA 90008-4036
Phone: (213) 299-1000 Fax: (213) 299-1018 www.laul.org
Affiliated with The National Urban League, Inc.
Member United Way, Inc.
Contributions are tax deductible

Wendy L. Watanabe
Auditor-Controller
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's February 6, 2014 Draft Report
February 21, 2014
Page 2

of our time and efforts on resolving the Agency's administrative challenges, while also re-positioning ourselves to again be a provider of County workforce programs.

To this end, respectfully, LAUL requests that your office withdraw any proposal to place the LAUL on the County's Contractor Alert Reporting Database (CARD) or take any other action that might be deemed punitive or prevent the LAUL from engaging in any other County or other government-funded programs. We anticipate we will have the majority, if not all administrative issues resolved within short order and believe a decision placing the LAUL on CARD would be premature and unwarranted. Thank you in advance for your consideration of this request.

LAUL DETAILED RESPONSE

Below is the LAUL's further response to the findings of the A-C's report which we dispute or wish to provide further clarification or detail:

ELIGIBILITY

YOUTH PROGRAM

The A-C's report February 6, 2014 draft report states that:

"LAUL did not document their efforts to obtain documentation of eligibility for eight (53%) of the 15 participants sampled, prior to using the applicants' statements as required by WIA Directive ARRA/WIA D09-22."

In its January 22, 2014 response, LAUL provided documents supporting the income eligibility of the following three (3) youth participants:

- [redacted] provided his parent tax return.
- [redacted] provided an EBT card.
- [redacted] provided proof of her mother's income.

In the A-C's February 6th draft report, it states LAUL only provided additional documentation for two of the eight participants. LAUL requests it be provided credit for all three (3) program participants.

Additionally, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

Wendy L. Watanabe
Auditor-Controller
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's February 6, 2014 Draft Report
February 21, 2014
Page 3

ADULT & DISLOCATED WORKER PROGRAMS

LAUL has no further response to this section of the A-C's February 6th draft report. However, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

CORRECTIVE ACTION PLAN FOR YOUTH AND ADULT & DISLOCATED WORKER PROGRAMS

Once the above eligibility numbers are corrected, LAUL will determine the total cost (direct and indirect) associated for any ineligible participants associated with its Youth and Adult & Dislocated Worker programs and will repay CSS for any unallowable costs. LAUL anticipates it should be able to resolve such matters by June 30, 2014.

BILLED SERVICES

LAUL has no further response to this section of the A-C's February 6th draft report. However, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

No corrective action plan is needed for billed services.

CASH/REVENUE

LAUL has no further response to this section of the A-C's February 6th draft report. However, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

CORRECTIVE ACTION PLAN FOR CASH/REVENUE

Beginning immediately, LAUL will have both its preparer and reviewer sign and date all bank reconciliations. Additionally, no later than June 30, 2014, LAUL will update its accounting policies to require both the preparer and reviewer to sign and date all bank reconciliations.

EXPENDITURES/COST ALLOCATION PLAN

LAUL has no further response to this section of the A-C's February 6th draft report. However, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

Wendy L. Watanabe
Auditor-Controller
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's February 6, 2014 Draft Report
February 21, 2014
Page 4

CORRECTIVE ACTION PLAN FOR EXPENDITURES/COST ALLOCATION PLAN

LAUL will either repay CSS \$22,892 associated with the Expenditures/Cost Allocation Plan or provide CSS adequate documentation to support the expenditures by June 30, 2014. Additionally, LAUL will maintain adequate documentation to support the expenditures.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

LAUL has no further response to this section of the A-C's February 6th draft report. However, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

CORRECTIVE ACTION PLAN FOR EXPENDITURES/COST ALLOCATION PLAN

Beginning immediately, LAUL management will ensure accruals are accurately reported to CSS.

PAYROLL AND PERSONNEL

LAUL has no further response to this section of the A-C's February 6th draft report. However, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

CORRECTIVE ACTION PLAN FOR PAYROLL AND PERSONNEL

Beginning immediately, LAUL management will ensure timecard are signed by both the employees and supervisors to certify actual hours worked and that timecards are accurately calculated.

CLOSE-OUT REVIEW

LAUL has no further response to this section of the A-C's February 6th draft report. However, LAUL maintains and reiterates its January 22, 2014 response to the A-C's January 6, 2014 draft report and incorporates that response herein.

CORRECTIVE ACTION PLAN FOR CLOSE-OUT REVIEW

LAUL will either repay CSS \$278,314 associated with the Close-Out Review or provide CSS adequate documentation to support the expenditures by June 30, 2014. Additionally, LAUL will maintain adequate documentation to support the expenditures.

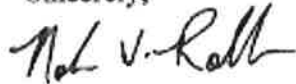
*Wendy L. Watanabe
Auditor-Controller
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's February 6, 2014 Draft Report
February 21, 2014
Page 5*

CONCLUSION

Thank you for your attention to this matter. We look forward to continuing to work with your office to reach an amicable resolution to these and any related issues.

Should you have any questions or comments, please do not hesitate to contact me or Angela Reddock, our Interim Chief Administrative Officer & General Counsel.

Sincerely,



Nolan V. Rollins
President & CEO

cc: Paul Goldman, Asst. Director, CSS Contract Services Branch
Josephine Marquez, Asst. Director, CSS Workforce & Community Services Branch
Jackie Lynn Sakane, CSS Contract Compliance Division Program Manager
Teresa Montes De Oca, CSS Compliance Auditor



January 22, 2014

VIA ELECTRONIC MAIL & U.S. MAIL

Yoon Sun Park, CPA
Principal Accountant-Auditor
Los Angeles County Department of Auditor-Controller
Countywide Contact Monitoring Division
Los Angeles World Trade Center
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
email: ypark@auditor.lacounty.gov

Re: **Los Angeles Urban League's Response to the January 8, 2014 Draft of the Report of the County of Los Angeles Department of Auditor-Controller**

Dear Ms. Park:

We are in receipt of the most recent draft of the County of Los Angeles Department of Auditor-Controller's ("A-C's") report related to the Contract Compliance Review your office conducted of the Los Angeles Urban League (the "LAUL") adult and youth services workforce programs funded by Los Angeles County (the "County") and overseen by the County Community and Senior Services Department ("CSS") pursuant to the Workforce Investment Act, for Fiscal Years 2013-2014. We received the most recent draft of the report on January 8, 2014 during our meeting with you and other members the Auditor-Controller's Office, along with members of the CSS compliance and program teams, at the CSS office. Thank you for providing us an opportunity to respond to the January 8th draft. Below is our general and detailed response to the report.

LAUL GENERAL RESPONSE

As a general response to the January 8th draft of the A-C's report, the LAUL responds that many of the issues cited in the report are based on financial and administrative issues which the LAUL inherited from the prior executive administration of the LAUL. Since coming aboard as President & Chief Executive Officer of the LAUL, both I and the new executive leadership team have and continue to work diligently to resolve the issues of the past, many of which unfortunately have carried over into LAUL's present. To assist the LAUL in focusing its attention on fully remedying the undisputed issues of the A-C's report, by a separate letter of today's date sent to Cynthia Banks, the Director of CSS, the LAUL has decided to voluntarily relinquish its County adult and youth workforce programs. Although regrettable, particularly since both our County adult and youth programs are operating at

BOARD OFFICERS

President/President
Nora Vazquez

Treasurer
David R. Brown

Secretary
Carol Jackson

President & CEO
Robert V. Rollins

DIRECTORS

Paul Anderson
Carl Baker
Barbara Brown-Hawkins
Gwendolyn L. Butler
Vernice Coleman
Clarence A. Daniels, Jr.
Susan G. Davis
Angela Gibson
Marlene M. Johnson
Rocelle A. Jones
Walter Jones
Arnold A. Karl
Bert Lannoy
Tony Lee
Leslie A. Morgan
Faye McCull
Gloria Nubia
Michelle Martindale
Patricia H. Miller
Kevin D. Murray
Gwendolyn
Dietrich Parillo
Byron A. Reed
Christopher P. Reynolds
M. Wynn Rooney
Edward A. Shuman
Nancy Erickson
Teresa E. Tracy
Marlene Harrison, PhD
Diane Zischke

*Yoon Sun Park, CPA
Principal Accountant-Auditor
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's January 8, 2014 Draft Report
January 22, 2014
Page 2*

optimal levels on the program side, such a decision will allow us to focus 100% of our time and efforts on resolving the Agency's administrative challenges, while also re-positioning ourselves to again be a provider of County workforce programs.

To this end, respectfully, we request that your office withdraw any proposal to place the LAUL on the County's Contractor Alert Reporting Database (CARD) or take any other action that might be deemed punitive or prevent the LAUL from engaging in any other County or other government-funded programs. We anticipate we will have the majority, if not all administrative issues resolved within short order and believe a decision placing the LAUL on CARD would be premature and unwarranted. Thank you in advance for your consideration of this request.

LAUL DETAILED RESPONSE

Below is the LAUL's detailed response to the findings of the A-C's report which we dispute or wish to provide further clarification or detail:

Youth Program

The A-C report states that:

"LAUL did not maintain adequate documentation to support the eligibility for two (13%) of the 15 youth participants sampled. Specifically, LAUL did not maintain completed I-9 forms in the participants' case files as required by WIA Directive LACOD-WIAD11-03 for the two (13%) of the 15 participants reviewed."

We have reviewed our files further and have located supporting I-9 documentation for:

- [REDACTED] provided us a copy of his school transcript, attached hereto as *Exhibit 1*.

Further, the A-C report states that:

"LAUL did not document their efforts to obtain documentation of eligibility for seven (47%) of the 15 participants sampled, prior to using the applicants' statements as required by WIA Directive ARRA/WIA D09-22."

Yoon Sun Park, CPA
Principal Accountant-Auditor
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's January 8, 2014 Draft Report
January 22, 2014
Page 3

We have reviewed our files further and have located documents supporting the income eligibility of the following three (3) youth participants:

- [REDACTED] provided his parent tax return.
- [REDACTED] provided an EBT card.
- [REDACTED] provided proof of her mother's income.

These documents are attached hereto as *Exhibit 2*.

Adult & Dislocated Worker Programs

The A-C's report states that:

"LAUL did not document the registration for selective service for one (4%) of the 25 participants reviewed as required by WIA Directive LACOD 12-18. After our review, LAUL provided additional documentation to support the eligibility of the one participant."

Since this matter was corrected prior to the A-C's report being finalized, respectfully, we ask that this finding be removed from the A-C's report.

Based on the above, we request that the A-C's findings relating to the Youth and Adult and Dislocated Worker Programs be adjusted accordingly to reflect the supporting documentation and information provided.

Billed Services

LAUL acknowledges that the A-C had no findings relating to its billed services and that this portion of the program operates "in accordance with the County contracts and WIA guidelines for the case files sampled." LAUL also acknowledges the A-C's comments that of the "16 participants interviewed," the participants "stated that they received the required services and the services they received met their expectations."

Cash/Revenue

The LAUL has corrected the A-C's finding that its "September 2013 bank reconciliations were not signed by the preparer or reviewer as required by Section B.1.2 of the Auditor-Controller Contract Accounting and Administration Handbook." As this matter does not appear to be material and the matter has been corrected, respectfully, LAUL requests the A-C remove this item from its report.

Yoon Sun Park, CPA
Principal Accountant-Auditor
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's January 8, 2014 Draft Report
January 22, 2014
Page 4

Expenditures/Cost Allocation Plan

\$23,063 Finding

Since the A-C's administrative review in, the LAUL has paid approximately \$3,557 (*see Exhibit 3*) of the \$23,063 due in Accounts Payable. Accordingly, the LAUL requests the A-C adjust this amount and finding.

\$18,229 Finding

The A-C's report states that "LAUL billed CSS \$18,229 in unsupported indirect costs for July through September 2013." Respectfully, we dispute this finding. LAUL received formal approval of our indirect rate calculations from the US Government. When calculated, we arrived to an indirect rate calculation of 35.64%. In deference to the relationship with the County, we lowered our indirect rate from 35.64% to 15.82% for the fiscal year 2011-2012 and to 18.42% for fiscal year 2012-2013. We arrived to these figures by removing all costs other than indirect management and administrative labor which lowered the rate to 20.89%. As a further demonstration of our willingness to work with the County, we further reduced our rates to the ones indicated above for each fiscal year.

Therefore, our indirect rates on our invoices to the County are strictly related to payroll and as such the A-C's methodology for calculating the \$137K for fiscal year 2012-2013 (*see finding below*) and \$18K for 2011-2012 as unsupported costs are incorrect. All indirect cost billed to the County are related to payroll and can be fully supported.

Attached hereto is *Exhibit 4* showing the LAUL's original federal approved rate calculation and how those rates were reduced for purposes of the WIA programs.

Based on the above, we request that the A-C's findings relating to Cash/Revenue be adjusted accordingly to reflect the supporting documentation and information provided.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

The A-C's report states that:

"[d]uring the time of our review, LAUL management maintained adequate internal controls over its business operations. However the Agency did not accurately report their accruals to Community and Senior Services (CSS) as required by WIA Directive WIAD10-05."

LAUL has corrected this issue and respectfully, requests that this finding be removed from the report.

*Yoon Sun Park, CPA
Principal Accountant-Auditor
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's January 8, 2014 Draft Report
January 22, 2014
Page 5*

PAYROLL AND PERSONNEL

The A-C's report states that:

"LAUL appropriately charged payroll costs to the WIA programs, and maintained personnel files as required. However, LAUL's timecards were missing the employees' and/or supervisors' signatures on six (38%) of 16 timecards reviewed, and one (20%) of the five participants' timecard [sic] was calculated incorrectly resulting in an immaterial overpayment to the participant."

The LAUL has conducted a further review of its files and has located time cards for the following LAUL employees for the identified time periods:

-  -- September 8 and 23, 2013
-  -- September 8 and 23, 2013
-  -- September 23, 2013
-  -- September 8, 2013

The signed timesheets for these employees are attached hereto as *Exhibit 5*. Further, LAUL also has updated its practices to ensure all employee and participant timecards are appropriately signed. Based on this updated information, along with the A-C's acknowledgment that this finding did not result in an "immaterial overpayment to the participant," respectfully, the LAUL requests that the A-C remove this finding from the report.

CLOSE-OUT REVIEW

\$415,355 Finding

The A-C's report states that LAUL billed CSS \$415,355 in unsupported expenditures. This amount represents outstanding Accounts Payable. Respectfully, we request that the language in the A-C's report be revised to reflect this terminology.

\$273,276 Finding

Since the A-C's administrative review, the LAUL has paid approximately \$10,919 (*Exhibit 6*) of the \$273,276 due in Accounts Payable. Accordingly, the LAUL requests the A-C adjust this amount and finding.

*Yoon Sun Park, CPA
Principal Accountant-Auditor
Los Angeles County Department of Auditor-Controller
Re: LAUL Response to the Auditor-Controller's January 8, 2014 Draft Report
January 22, 2014
Page 6*

\$137,041 Finding

The A-C's report states that "LAUL billed CSS \$18,229 in unsupported indirect costs for July through September 2013." Respectfully, we dispute this finding. LAUL received formal approval of our indirect rate calculations from the US Government. When calculated, we arrived to an indirect rate calculation of 35.64%. In deference to the relationship with the County, we lowered our indirect rate from 35.64% to 15.82% for the fiscal year 2011-2012 and to 18.42% for fiscal year 2012-2013. We arrived to these figures by removing all costs other than indirect management and administrative labor which lowered the rate to 20.89%. As a further demonstration of our willingness to work with the County, we further reduced our rates to the ones indicated above for each fiscal year.

Therefore, our indirect rates on our invoices to the County are strictly related to payroll and as such the A-C's methodology for calculating the \$137K for fiscal year 2012-2013 and \$18K for 2011-2012 (see finding above) as unsupported costs are incorrect. All indirect cost billed to the County are related to payroll and can be fully supported.

Attached is *Exhibit 4* showing the LAUL's original federal approved rate calculation and how those rates were reduced for purposes of the WIA programs.

CONCLUSION

Thank you for your attention to this matter and for your consideration of the additional documentation and information we have provided. We look forward to continuing to work with your office to reach an amicable resolution to these and any related issues.

Should you have any questions or comments, please do not hesitate to contact me or Angela Reddock, our Interim Chief Administrative Officer & General Counsel.

Sincerely,



Nolan V. Rollins
President & CEO

cc: Paul Goldman, Asst. Director, CSS Contract Services Branch
Josephine Marquez, Asst. Director, CSS Workforce & Community Services Branch
Jackie Lynn Sakane, CSS Contract Compliance Division Program Manager
Teresa Montes De Oca, CSS Compliance Auditor